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April 2, 1998

The Hon. John M. McHugh, Chairman
Subcommittee on the Postal Service
Committee on Government Reform and Oversight
U.S. House of Representatives
B-349 (C) Rayburn House Office Building
Independence Avenue & South Capitol Street, SW
Washington, D.C. 20510

Dear Mr. Chairman:

On behalf of the Envelope Manufacturers Association, I thank you for the opportunity you have given us to comment upon your revisions to H.R. 22. As you know, envelope manufacturers cut across every rate/class of mail, so we have chosen not to comment on the rate-making provisions of your legislation. We feel that the mailers could provide you with the most **useful** comments on the rate-making provisions of this legislation. We have provided some thoughtful guidance to mailers and, hopefully, to you in our postal reform white papers which I have again attached to this letter.

Let me deal, section by section, with your proposals. I am using your side-by-side analysis in offering our comments back to you.

Section 101 - Redesignation Relating to the Governors and the Board of Governors

We concur totally with Section 10 1. In our white paper on Governance, we have suggested that the USPS adopt a more contemporary organizational structure.

Section 102 - Redesignation Relating to the Postmaster General and Deputy Postmaster General

Again, we agree for reasons outlined in our Governance white paper

Section 103 - Clarification Relating to Execution of Amendments

We disagree with your amendments. We strongly feel that a Postal Regulatory Commission is **not** needed at this time and we find the rate review requirements as contained in the original statute adequate for purposes of ensuring that the postal rates requested by the Postal Service are fair with regard to each class of mail and adequately recoup the costs of services. We

cannot see what would be gained by giving additional power to the Postal Rate Commission and we see no reason for an Inspector General for the Postal Rate Commission. We do feel that an independent Inspector General is necessary for the USPS and we concur with the changes in organization that the addition of the Inspector General has brought at USPS headquarters. In addition, we do feel that the USPS Inspector General should clearly be required to follow the 1978 Inspector General Act with regards to reporting to Congress and the financial oversight requirements that you outline.

In no other postal administration in the world will you find the type of regulatory apparatus that your amendment envisions. We would suggest that you would find a trend away from such regulatory mechanisms in most postal administrations. We do not need another layer of governance for the Postal Service. We need more efficient and effective governance. This provision is not in keeping with our white paper on Competition (see attached) and we feel it should be stricken from the final bill.

Section 201 - Employment of Postal Police Officers

We have no comments on this section.

Section 202 - Date of Postmark to Be Treated As Date of Appeal in Connection With the Closing or Consolidation of Post Offices

We have no comments on this section.

Section 203 - Presidential Employee-Management Commission

Postal reform legislation will never be complete until there is comprehensive postal labor reform legislation. We clearly understand the political and practical sensitivities of this issue; but nevertheless, no amount of study, recommendations, etc., is ever going to bring postal labor and management together without there being a compelling reason to do so and a real opportunity for both sides to emerge winners. This provision merely shifts the burden of substantially addressing this important issue on the back of another think tank or commission. What is needed is for both sides to truly want to reform the process. We proposed in our white paper on Competition, an evaluation of the Railway Labor Act and its potential use as a framework for labor reform. We also feel that the USPS needs to spend far more management time and attention on improving labor/management relations, and skills in this area should be interwoven into future positional requirements for postal leadership. Appointing one labor leader as a USPS governor would be a step in the right direction. Meaningful dialogue between the parties would be another step in the right direction. We seem to be lulled into a complacency on these tough issues by the most recent financial performance of the USPS, yet the same troubling factors of poor productivity and **ever-**escalating labor costs are still present. While we would not oppose such a study, we feel that it is only a Band-Aid.

Section 401/402 End of Treasury Control of Postal Service Banking and Postal Service Investments

We concur with the legislation as proposed and amended. We find no compelling reason to limit USPS' investments solely to government-backed instruments and we fail to see what Treasury Oversight has produced for the USPS. We do believe, however, that the USPS should not be allowed to invest in the businesses of potential competitors.

Section 403/404 Elimination of Treasury Preemption of Borrowing by the Postal Service and Elimination of Postal Service "Put" on Treasury

We agree, as per our comments on Section 401/402, with the elimination of Treasury control over USPS finances as long as there is a restriction on investing in competitors enterprises. We do not see a need for a separate competitive products **fund** or, for that measure, the need for a competitive products group. We feel that these amendments create a layer of rules and regulations that are unnecessary given that the Postal Rate Commission still must evaluate all costs and revenues generated by an area of the Postal Service that is allegedly competitive. We believe that the USPS should be required to show that its core business activities are being supported via the entry into a new product or service area. We believe that the acid test should be: how does the product or service complement the core **functions** of the USPS - delivery of the mail? We do not want to go so far as to tell the USPS what they can and cannot do, because there may be some very sound reasons why the USPS would need to launch a new product or service to support its core business product area.

Under the current statutes, these products and services would go under the mail classification schedule and the Postal Rate Commission would determine if prices charged and revenues received were sufficient to meet the tests of the current statute. In addition, we also believe that it is a **function** of the governors and the executive leadership of the USPS to ensure that every program or service is supportive of core functions. The office of the USPS Inspector General can be mandated to review these areas. We do not feel that the creation of separate capital pools is wise.

Section 501 - Repeal of Provision Relating To Transitional Appropriations

We have no comments concerning this section.

Section 502 - Provisions Relatine to Benefits Under Chapter 81 of Title 5, USC, of Officers and Employees of the Former Post Office Department

We have no comments concerning this section.

Section 503- Repeal of Authorizations of Appropriations for Public Service Costs Revenue Forgone and Certain Compensatory Appropriations

We fully concur with the revisions.

Section 504 - Congressional Oversight Preserved

We have no comments concerning this section.

Section 601 - Change-Of-Address Order Involving A Commercial Mail Receiving Agency

We have no comments concerning this section.

Section 602 - Rates For Mail Under Former Section 4358

We have no comments concerning this section.

Section 603 - Powers of the Postal Rate Commission

We concur with the revisions of this section with the exception that we still oppose the extension into other than pure rate matters of the PRC. We do not believe that the PRC needs to have extended an audit function, unless that function is clearly part of the process of examining a rate or rate band. Strict guidelines concerning the issuance of a subpoena needs to be developed with assistance from the Department of Justice. We remain with deep concerns over the issuance of subpoena power to the Rate Commission in the first place. The rate-making process is adversarial enough. For example, would the issuance of a subpoena for a postal witness necessitate the presence of federal litigation support counsel? Who would pay for such counsel? Great care needs to be exercised so that subpoena authority does not represent a weapon used not for the purpose intended, but for a totally different purpose. We would suggest an additional review of the rationale behind granting subpoena authority to the commission and what that would do to the timeliness of proceedings and the costs of those proceedings.

Section 604 - Volume Discounts

We have no comments concerning this section. We feel that this is a mailer issue.

Section 701 - Obsolete Provisions

We have no comments concerning this section.

Section 702 - Expanded Contracting Authority

We have no comments concerning this section.

Section 703 - Private Carriage of Letters

We do concur with the revisions of Section 703 and believe that the setting of the \$2.00 floor for monopoly protection would be sound.

Section 704 - Mailbox Demonstration Project

We concur **fully** with the revision.

Section 801 - Direct Appeal of the Decisions of the Merit Systems Protection Board

We concur **fully** with the revision.

Title IX Law Enforcement

We have no comments concerning this title. We concur **fully** with changes made.

Title X New System Relating to Postal Rates and Classes

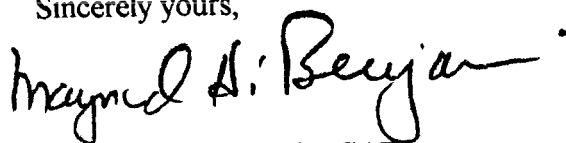
We **continue** to believe that it would be best to hear from mailers concerning this title to the act. **EMA**, as a matter of policy, does not engage in rate filings or rate proceedings. We have ~~only acted on matters that relate to the physical characteristics of the mail and regulations~~ promulgating these physical characteristics. We have expressed concerns in the past about competitive vs. non-competitive rate classes and feel that if the mailers, the postal service and the users of the mail come to agreement on these matters, we will support that concurrence.

We are also concerned over the extension of authority to **the PRC beyond that required** for its original envisioned mission and do not concur with the concept of a Postal Regulatory Commission; ~~in fact, we strongly oppose such a concept. We, therefore, find ourselves~~ conceptually in opposition to pages 42, paragraph three and 43 and paragraph two of the revision.

Finally, we are most concerned about the requirement that the PRC conduct a proceeding to define and **quantify** the concept of “universal service” in the postal sector. We fail to see what **relationship that has to the legislation at hand. As the United States Senate’s on-going** investigation of the use of the “universal service **fund**” proceeds, we feel that this provision is ill-timed and should be the subject of an independent examination to Congress conducted by a contractor qualified to examine such matters, not the Postal Rate Commission.

We thank you for the opportunity to provide our comments and we look forward to your continuing diligent work in the area of postal reform.

Sincerely yours,

A handwritten signature in black ink, reading "Maynard H. Benjamin". The signature is fluid and cursive, with a long horizontal stroke at the end.

Maynard H. Benjamin, CAE
President

MHB/jef
Attachments